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MEMORANDUM FOR: Chief, Audit Staff

SUBJECT: Administrative Action Requested of the Deputy Director (Support) Covering Report of Audit of Project [REDACTED] for the Period 1 July 1950 - 28 February 1955

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REFERENCE: Report of Audit of Project [REDACTED] for the Period 1 July 1950 - 28 February 1955, dated 18 July 1956

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1. Reference requests certain administrative action on the part of the Deputy Director (Support). As to the particular items listed in paragraph 5, the Audit Staff is advised as follows:

(a) The internal audit staff now is making examinations at the stations at least annually.

(b) Determination of actual quantities of nonrotable spare parts on hand for resale is not necessary under the revised accounting classification (following the revised C/B manual) adopted March 31, 1956. The accountants are in accord.

(c) and (g) The indicated "reserve" accounts are in course of being eliminated from the books and financial statements.

(d) The matter of using for materials, supplies and parts, prices which are a composite of first cost and landing costs is under consideration by management of the operating company. If no overriding objections are indicated, the suggestion will be adopted.

(e) The question has been resolved to the satisfaction of management and the accountants at March 31, 1956, by considering as redundant stock the items in excess of actual usage over the preceding fifteen months.

(f) For the financial statements as of March 31, 1956, agreement was reached within the company and with the accountants as to acceptable figures and methods for determination of redundant stock valuations.

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(h) The question of using the unit basis for depreciation of vessel costs is presently on the agenda of items under consideration by company management. Acceptance of the suggestion is anticipated.

(i) An entirely new basis for valuation of spare flight equipment and spare rotatable parts has been developed by the company management in collaboration with the accountants at March 31, 1956. This was an ideal date for change of method without significant effect upon financial results. The new method introduces simplicity of approach and explanation and has reduced markedly the volume of computations.

(Unlettered) The steps taken in connection with limiting cash and other accounting records at branch locations are in accord with the principles outlined in the accountants' suggestions. Some subsidiary aspects of those suggestions are on the agenda for further consideration by management.

(Unlettered) The method recommended by the accountants for recording net receivable (J.W.O.) of \$126,000.00 is being reflected in the books.

2. Suitable steps will be taken to obtain from the company periodic schedules of salaries paid agents.

3. Future reports submitted by [redacted] independent certified public accountants for periods following February 28, 1955, will be considered for approval.

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(Signed) H. Gates Lloyd

L. K. WHITE
Deputy Director (Support)

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DE/S-CH: [redacted] vmm (24 Oct. 56)

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